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BOOK REVIEW

Natural Resource Management and Sustainable Development: How Ghana's Petroleum Can Create Sustainable Economic Prosperity

Kwamina Panford. Palgrave, Macmillan, 2017, 249 pp.

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REVIEWED BY KARL BOTCHWAY

Professor Panford's book is serious scholarship on natural resource management. It is one of the few books that will easily garner a lot of attention and be referenced on oil and gas studies in Africa because of its immense contributions. The book has lots of practical lessons for how African countries can initiate relevant policy prescriptions to maximize benefits from natural resource endowments, especially petroleum. The book challenges the orthodoxy that African countries with abundant natural resources always suffer from a resource curse. The book argues that resource curse is not destiny and neither is it cast in stone. Instead, deriving maximum benefits from natural resources "will depend on how society envisions and executes plans to utilize them for shared prosperity for the majority and not ... a minority (p.161)."

Discussions in the book are enriched by the author's adept use of in-depth research methods like numerous field trips and work in Ghana, drafting legislative instruments and creating an Oil and Gas Institute at the University Cape Coast, Ghana to yield primary information and data to buttress his findings. This places the author at a uniquely vantage position to effectively tackle how Ghana can prove to be the exception by escaping the proverbial resource curse! The book argues that Ghanaian political elites need to devise pre-emptive policy measures to manage oil and gas for Ghana's benefit. Panford's book captures core areas that indicate the extent to which oil and gas as a strategic raw material would help avoid the resource curse: maximizing revenues from oil and even more pressing, ensuring robust local content and participation while adding value to raw oil and gas through industrialization using green technology, energy and science.

Ghana's post 2010 growth is driven by oil and gas. This brings to fore an important question raised in this book: To what extent is Ghana maximizing revenue from oil and gas to shift oil wealth to growth enhancing sectors of the economy -- agriculture and manufacturing? The arguments raised in the book about tax evasion and tax incentives granted to oil and gas companies is in tandem with the view espoused by the African Union and the African Progress Panel 2013: the problem of illicit financial flows out of Africa. The African Development Bank in its 2013 report also notes that in the 30 years covered by its study, Africa provided net resources to the world of US\$1.4 trillion, far exceeding inflows over the same period. The magnitude of illicit resource transfer from Africa greatly compromises Africa's ability to mobilize domestic financing for development. These support Panford's strong emphasis that Africa's inability to maximize oil revenues is a drag on its development and need to be checked.

Panford writes that excessive tax exemption and other fiscal incentives granted by Ghana call into question the realization of adequate revenues from taxation. Consistent with the practice of multinationals elsewhere, the author's concern about oil and gas multinationals exploiting accounting loopholes to deny Ghana substantial benefits appears justified. A concrete example, "except for minimum administrative charges, Multinational Oil Companies in Ghana may import equipment and supplies without paying any duties. In addition, expatriate personnel in Oil and Gas are exempted from payroll taxes, and monies they transfer out of Ghana do not attract any taxes." Citing a Wall Street Journal report, Panford (p.128) points out that: "it is conceivable that the US welder who earned \$140,000 in 2015 from employment at Jubilee could have paid zero pesewas or cents on his income" to Ghana's Revenue Authority. Using his participation in finding ways to manage oil revenues, Panford could attest to facts that in the first three years of Jubilee Oilfield production, Ghana received less than half of projected earnings and no corporate taxes were paid!" Using diverse sources, both primary and secondary sources/materials such as the Wall Street Journal, this is one of the several examples of how Panford successfully illustrates concrete situations or cases in this book.

The book documents how oil companies used "thin capitalization" instead of their own corporate funds for operations, and prefer borrowed funds from financial institutions. These companies treat interest payments on loans as business expenses that are deducted from taxes owed to Ghana. At present, there are no limits on the expenses that the Oil and Gas industry in Ghana can

claim as business related. Panford's book urges a collective solution to a "race to the bottom": African countries supposedly competing to offer generous tax incentives and concessions to attract foreign investment. This literally gives away Africa's natural resources.

An important question the book raises is whether Ghana has the institutional capacity to monitor production. Securing the necessary technical capacity is an important reminder to African governments about the need for due diligence in natural resource management.

Another important element that the book deals with, is how Ghana can avoid the commodity trap where it ships cheap oil, cocoa beans, timber, diamond and gold overseas. The author makes a powerful case by arguing that one way is to "diligently devise and tenaciously implement a potent local content program." The author critically analyzes Petroleum (Local Content and Local Participation) Regulation 2013 L.I. 2204 of 2013). It sets industry targets for using local inputs. Panford cautions that from June 2007 to December 2011, about 5 per cent (US \$16b) of all petroleum related expenses were sourced locally. And also, by the fourth quarter of 2014, 80 percent of the 7000 workers in the Oil and Gas industry were indigenous Ghanaians. In addition, by December of 2015, of the 474 businesses registered for upstream Oil and Gas activities, 321 were locally owned. Despite this encouraging trend, locally owned businesses only capture a small share of the total revenue generated. As the author asserts, if this trend continues, it will take many decades for the Oil and Gas sector to generate adequate jobs and thus not dent Ghana's menacing youth unemployment situation. Besides, current oil reserves may be exhausted by then.

Panford points to an important challenge to developing local expertise in the more technical aspects of the oil and gas industry and connects that in a practical and lucid manner to the nation's educational system. Ghana's educational system is not well placed currently to train students for the new science based / informational economy that underpins Oil and Gas industry today. The author demonstrates that Science, Technology, Engineering and Math (STEM) education is hampered by outdated curricular, lack of equipment and genuine commitment. In an industry that is high risk and demands "industry ready" workers, the ability of this sector to fulfill the intent of 2013 L.I. 2204 of 2013, might be compromised. The author draws on his numerous research trips (p.135) to use specific instances to support this concern. On one oil rig, the Anadarko-operated Belford Dolphin, the author notes that of 126 persons on board, only 8 Ghanaians

have core functions: engineers, geologists or riggers. Panford's argument once again demonstrates the need to develop the necessary technical and managerial capacity before rushing to secure oil deals for production. The absence of such skills might limit the benefits from oil and gas in Ghana if not addressed.

Policy measures about oil and gas do not operate in a vacuum. They are also influenced by politics and power relations in society. A critical question then is, how politics and power relations shape the institutions that govern the management of oil and gas for the mutual benefit of society. With respect to institutionalists' concerns, Panford depicts a situation whereby Ghana's legislative body has weak oversight and does not take time to develop necessary legislation before oil production starts. Contrasting Ghana's case with Uganda, Panford shows how that country refused granting any oil licenses before putting in place a policy to build local oil refineries.

Overall, the book's strength is its strong case or advocacy for a policy environment that engages the oil and gas industry on terms that are mutually beneficial. As much as one book may not satisfy all readers, I reiterate that Panford has meticulously provided in a single book material fit for many volumes of books. He is to be commended for his genuinely diverse sources, ranging from primary to secondary materials and successfully using his literal "close encounters" with real life situations to illustrate and support key points in this book. To enliven his key ideas, he even furnishes some audio visuals as part of his bibliography. Policy makers, politicians, social activists/advocates and academics will definitely find this book highly relevant. The third chapter which includes an exhaustive and interesting critical theoretical review of the resource curse theory is recommended for teaching graduate and other programs on sustainable development and natural resources. Here, the author reiterates the argument that resource curse theory is not destiny and neither is it cast in stone. He makes a plea for contextualization and shows how history, colonial rule, geopolitics, and neo-liberalism shape natural resource management. The author's comparative discussion of resource mismanagement in Nigeria, the Democratic Republic of the Congo, Angola and Equatorial Guinea bring into focus all these elements. Perhaps, the author's preferred term resource mismanagement is a more appropriate terminology. The key premise of the book is that natural resource mismanagement are socially created and can be fixed through pre-emptive policy measures with careful diligent planning and execution.

As much as this book's subject has serious social and economic implications, the author's approach including using powerful real life examples and cases, makes this book compelling and simultaneously easy to read. This book should be included in any academic discussion of natural resources anywhere and more especially in Africa.

About the reviewer

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